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Closeup: Foreign Investment in U.S. Agriculture

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Guard Dogs Protect Sheep

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Perspectives

The farm economy faced too many obstacles this year to stage the kind of recovery many had hoped for. Analysts now look to the low end of the $22 to $27 billion range for 1981 net farm income. That's only a modest gain from 1980's revised $19.9 billion and nowhere near 1979's $32.7 billion. USDA's index of prices received by farmers has edged steadily downward since last December.

Interest rates have hurt, too . . . One USDA analyst estimates that a rise of 1 percentage point in interest rates paid on total farm debt outstanding can reduce net farm income 5-10%. And that doesn't even count indirect effects: higher interest costs passed on by suppliers, wholesalers reluctant to stock up on meat, and farmers less willing to hold inventories--thus depressing prices.

But no one factor can be blamed . . . Consider the other contributors: rising production costs; fairly large meat supplies vs. price-wary consumers; exports that aren't as strong as expected; big South American crops and prospects for large world grain crops; a record U.S. wheat harvest; and the growing likelihood of very big fall crops here.

Looking ahead to fall . . . Crop conditions have improved dramatically. August forecasts put corn production at 7.7 billion bu., up 16% from 1980's 6.6 billion and the second largest corn crop in history. Total feed grain production was pegged at 236 million metric tons, up 19%. Soybeans, 2.0 billion bu., up 11% for the second largest crop ever. Other forecasts: cotton, 14.8 million bales, up 33% from 1980; hay at 138 million tons, up 5%; rice at 177 million cwt., up 22%; and peanuts at 3.7 billion lbs., up 60%.

A big harvest has mixed implications for next season . . . Prices probably won't match this season's average levels if growing conditions stay favorable. Wheat, feed grains, rice, and soybeans may all suffer price declines. So, farmers may pocket less per bushel even though much better yields than last year could hold production costs per unit about steady. However, higher sales volume should boost receipts. Also, livestock producers would get some help in returning to a profit situation.

Good news on the export front . . . The extension of the grain sales agreement obligates the Soviets to buy 6-8 million tons of U.S. grain by Oct. 1982, but sales could be larger considering their deteriorating crop prospects. USDA's mid-August estimate dropped to 185 million metric tons, 4 million lower than their very poor 1980 harvest.

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FEATURES

U.S. Farmland: Still 99.4 Percent American by *Eric Van Chantfort* 4

Foreign investors are still buying into America's farms and forests, but the latest figures put to rest any fears of an imminent foreign takeover. Who are these foreign investors and why are they shopping for our land?

Foreign Buyers Take Stock in the U.S. Food System by *Eric Van Chantfort* 7

Foreign purchases of farmland get all the attention, but outside investment plays a much larger role in the U.S. grocery, restaurant, and food-manufacturing industries. Has it gone too far? Analysts see both benefits and dangers.

Farmland Values in a Race with Inflation by *Daniel R. Williamson* 10

The high-flying farmland value gains of the past have been depressed by high interest rates, tight credit, and low farm income. Last year, the "real value" of farmland declined, and inflation and farmland values are racing neck and neck again this year.

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Armed with county maps and aerial photos, surveyors interviewed 60,000 producers this summer for USDA's June Enumerative Survey, an essential source of information on crop acreages, grain stocks, and livestock numbers.

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Guard dogs—the enforcers of the canine world—can be a lamb's best friend. Researchers say the four-legged guardians could prove to be an effective tool in helping producers cut losses from predator attacks.

Developing Nations: Where the Export Action Is by *Eric Van Chantfort* 16

The developing nations of Latin America, Asia, and Africa have become the growth markets for U.S. farm exports. Sales to our big industrial customers may inch up about 5 percent this year, while exports to "Third World" countries are expected to jump 26 percent.

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U.S. Farmland: Still 99.4 Percent American

From Carteret County, N.C., to Mendocino County, Calif.—from sea to shining sea—foreign investors own a piece of America's farms and forests.

How much of our agricultural land have they accumulated? Based on the numbers, the answer appears to be: more than they owned a few years ago, but a lot less than most people probably think.

USDA monitors foreign investment in U.S. agricultural land and regularly reports the results to Congress. According to the latest report, foreign investors still own fewer than one out of every 100 acres of our farm and forest land.

In writing USDA's report, attorney Peter DeBraal and economist Alex Majchrowicz analyzed nearly 12,000 foreign ownership disclosure forms filed between February 1979 and December 1980. Since February 1, 1979, foreign owners have been required by law to report their holdings, acquisitions, and dispositions of U.S. agricultural land to USDA.

The results indicate that foreign investors held an interest in around 7.8 million acres of U.S. agricultural land at the start of this year. About 1.2 million of those acres were added since early 1979.

These figures are probably the most accurate count ever, but they could still be low, say the analysts. Reason: Not only do the numbers have to be updated as real estate changes hands, but they also have to be adjusted later to include foreign ownership disclosure forms that were late, incomplete, or not fully processed when the December total was calculated.

Last year, for example, the foreign ownership study cited in the June 1980 *FARMLINE* put foreign holdings at 5.2 million acres as of October 1979. The figure turned out to be about 1½ million acres short of actual holdings at that time due to late filings and other delays.

"On a national level, the foreign share is too small to have any measurable impact."

Even if the latest foreign ownership total is off by a few million acres, it should still put to rest any fears of an imminent foreign takeover of U.S. agriculture, according to DeBraal. "On a national level, the foreign share is too small to have any measurable impact," he says.

The foreign acres reported represent only six-tenths of 1 percent of the nation's 1¼ billion acres of privately owned agricultural land. Furthermore, it would take foreign investors another 30 years to reach a total of 2 percent of the land at the recent pace of 1.2 million acres added every 2 years, DeBraal says.

Who's Buying?

Who are these foreign investors, and why are they shopping for our land?

Although about 80 separate nationalities from around the world are represented on the list, about 75 percent of all the landholdings are traced to Canada, Britain, West Germany, the Netherlands Antilles (in the West Indies), Luxembourg, and the Netherlands—in that order.

Canada, a close neighbor, is hardly surprising in the number one spot, and we have many economic ties with the British and Germans. But how did the other three get into the top rankings?

Part of the explanation, says economist Majchrowicz, is that four out of five foreign acres are owned by corporations. Many of these are corporations established in countries which offer tax advantages—and guaranteed secrecy—for foreign investors of any nationality. Thus, the reported nationalities of foreign investors often reflect only the countries which chartered the foreign corporations managing their funds.

The disclosure law permits USDA to require information down to the third layer of ownership, but foreign purchasers can circumvent the law through multiple layers of ownership—one corporation owned by another, which itself is owned by a third and then fourth corporation, holding company, or trust.

Also, privacy rights have become a controversial issue. By law, the ownership disclosure forms are put on public display both in the ASCS county offices where they're filed and at USDA's headquarters complex in Washington, D.C.

Some foreign investors and their agents have resisted supplying complete ownership data, citing lack of confidentiality of the reported information. They say their right to privacy is being invaded or claim to fear harm from terrorist groups or reprisals from their own governments. Analysts suspect that some may be violating their own government's laws—both tax laws and restrictions on taking currency out of their countries.

While the motives behind these complaints may be subject to question, DeBraal and Majchrowicz point out that the publicity requirements in the current law may have the ironic effect of increasing outside investment. Some foreign investors have reportedly been solicited by investment companies that obtained their names from the public files, and one company is selling the list of foreign investors to U.S. real estate firms that may be interested in potential clients.

Why Are They Shopping Here?

Despite the limitations on privacy since the disclosure law went into effect in early 1979, foreign investors have continued buying here.

There are many reasons, Majchrowicz says. U.S. real estate remains a good investment, and farmland has an enviable record, even though value gains were below average in the last year. Nationwide, the average value of an acre of U.S. farmland has increased about 3½ times in the last 10 years.

A study in northeast Iowa indicated that land improvements and conservation practices were less common on foreign-owned tracts.

Also, the U.S. is regarded as one of the comparatively few safe havens for investments—a politically stable country with a long tradition of protecting private property rights.

Still another reason may relate to U.S. tax policy. Our tax laws and tax treaties with several nations permit foreign investors to avoid capital gains taxes on real estate sales. The original intent was to attract foreign investment.

Late last year, Congress took a step to eliminate that advantage, but foreign investors still have ways to avoid paying, Majchrowicz says. As long as the foreign corporation holds onto the land, foreign investors can buy and sell stocks in the corporation without any capital gains tax obligations.

Escaping taxes borne by American landowners may not be the only advantage foreigners have in bidding for land. A huge corporation with many shareholders may have a lot of money behind it. Also, interest rates in the U.S. are much higher than in the past, and foreign investors may be able to borrow more cheaply abroad.

These advantages arouse concern in areas where competition for farmland is keen. Several states already restrict foreign investment in U.S. agricultural land.

In other areas, however, a farmer with a large operation may welcome the opportunity to sell for a good price—even if the buyer is foreign. The community may also benefit from the influx of money, especially if the foreign investor keeps the land in production.

Generally, this appears to be the pattern.

Foreign investors reported that they did not intend to change the current land use for 90 percent of the acres they purchased, DeBraal says.

Keeping land in farming is only one consideration, however. USDA economist Karl Gertel is reviewing research conducted by Iowa State University on the farm practices of foreign owners and their impacts on U.S. family farms and rural communities.

Preliminary findings in northeast Iowa show that investments in land improvements—fences, drains, and terraces—were less frequent on foreign-owned tracts, and conservation practices were also less common.

We won't know whether these differences are typical until more studies are completed, Gertel says. The answers will be important. Even if foreign holdings are too small to have any serious impact on U.S. agriculture as a whole, they could have an effect in some localities.

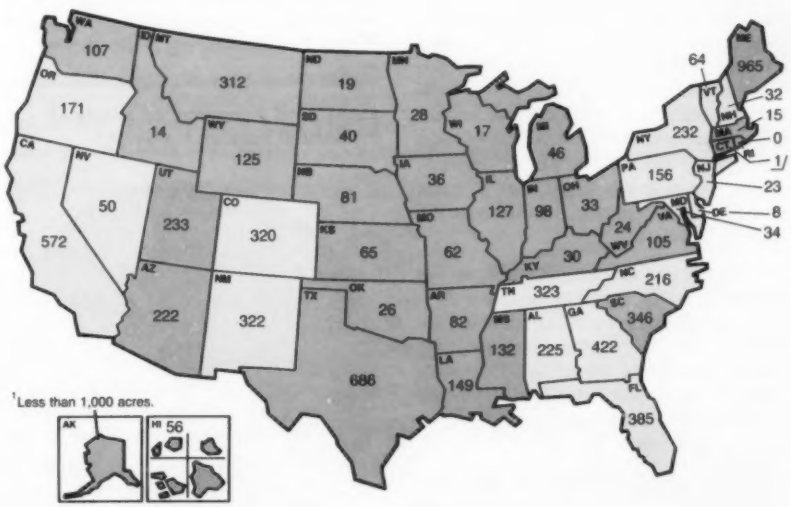
Evidence of Concentration

Although the vast majority of farmers probably can't find a single foreign-owned acre in their community, some have seen one foreign investor after another buy into their area, often with the help of a local real estate agent or an established alien landowner.

Foreign-owned acreage was reported in every state except Rhode Island, but much of it is concentrated in parts of the west, south, and northeast, says economist Majchrowicz.

Foreign Holdings Are Concentrated in the West, South, and Northeast

Foreign-owned agricultural land, in thousands of acres:



[1] Less than 1,000 acres.

States where foreign holdings account for:

6/10 of 1% or less

More than 6/10 of 1% but less than 2%

2% or more

. . . of all privately owned agricultural land in the state.

Ten states account for 60 percent of all foreign-owned agricultural land.

The ten states with the largest foreign holdings are Maine, Texas, California, Georgia, Florida, South Carolina, Tennessee, New Mexico, Colorado, and Montana. Together, these states account for 60 percent of all foreign agricultural acreage nationwide.

In terms of the percent of each state's agricultural land held by foreign interests, Maine still leads the list at 5.1 percent, followed by Hawaii at 2.8 percent, South Carolina and Utah both at 2.2 percent, and Arizona at 2 percent.

On the other hand, Iowa, Kansas, Minnesota, Ohio, and Wisconsin are among the 13 states where foreign acreage amounts to a tenth of 1 percent or less of the agricultural land in the state.

However, the analysts point out that just because foreign holdings are concentrated in certain parts of the country, it doesn't mean that American farmers in those areas face more foreign competition in bidding for productive farmland. Like most laws, the Agricultural Foreign Investment Disclosure Act is complicated, and it takes more than a quick glance at the numbers to interpret the results.

For instance, "agricultural land" is not limited to land used to produce livestock and farm crops. More than 40 percent of the 7.8 million foreign-owned acres represent other land, mostly forested land. Also included: farmland that has been out of agricultural use for as long as 5 years.

Without these qualifications, the numbers can give a distorted picture of the foreign role in agriculture, Majchrowicz says.

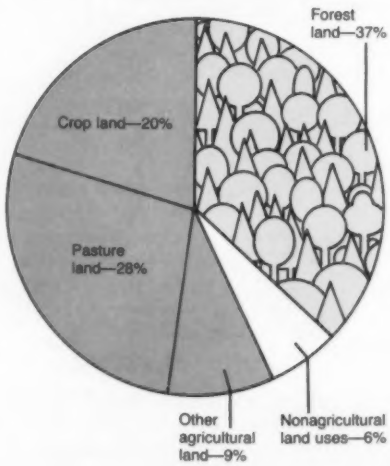
Maine is a case in point. Its nearly 1 million foreign-owned acres put it ahead of all other states. But 91 percent of that acreage is forested land held by one large timber company, which has only partial ownership in the land.

This example raises other important qualifications. Split ownership arrangements—such as partnerships—with U.S. landholders are counted, even though foreign interests have less than full claim on the land.

Even more significant, half of all landholdings classified as foreign are actually owned by U.S. corporations in which foreign interests hold a share. The regulations define all of a corporation's agricultural land as foreign-held if foreign shareholders own as little as 5 percent of the corporation.

Excluding forested acres, land not suitable for farm production, and land with mixed foreign and domestic ownership through corporations and partnerships, how many acres of 100-percent foreign-owned farmland does that leave? Although the figure can only be estimated, at the very least it's 1.6 million acres and more likely is in the range of 1.9 to 2 million acres, DeBraal says.

Forestland Accounts for Nearly 40 Percent of Foreign Holdings[1]



[1]Based on data as of Dec. 31, 1980.

Concerns Remain

With Americans owning 99.4 out of every 100 acres—and all these qualifications on the foreign-owned share—the numbers look a lot less intimidating than many had feared. However, USDA is not closing the books on the foreign ownership question. Many farmers and policymakers remain concerned about the trend of foreign investment and its consequences.

After all, foreign investors have continued to add to their landholdings during the last 2 years. There are questions, too, about the way foreign ownership is being monitored.

For example, is the extent of foreign investment understated because the publicity requirements of the current law discourage foreign owners from complying? And, do foreign investors take advantage of possible loopholes in the law to conceal their holdings through complex ownership arrangements?

Behind these questions are legitimate concerns, say the analysts. Americans aren't eager to see foreign investors making our agricultural production decisions, taking needed land out of production, or putting American farmers out of business.

Because none of these dangers appears imminent based on the evidence, USDA's top policymakers aren't recommending any additional actions at this time to restrict foreign holdings.

However, USDA will continue to monitor foreign investment, study its impacts, and enforce compliance with the disclosure law. As of last December, 1,950 penalties totaling $250,000 had been imposed for late filings of foreign ownership disclosure reports.

For a free copy of the complete foreign ownership report, write: ERS Publications, Room 0054-South Bldg., USDA, Washington, D.C. 20250. Ask for ***Foreign Ownership of U.S. Agricultural Land*** *(AIB-448).*

Foreign Buyers Take Stock in the U.S. Food System

Heard of these foodstore chains: A & P? Grand Union? Albertson's?

How about these restaurant chains: Howard Johnson? Hardee's? Stouffer's? International House of Pancakes?

Or these food products: Keebler crackers? Baskin-Robbins ice cream? Wishbone salad dressing? Mrs. Butterworth's syrup? Tetley tea?

What do all these grocery chains, restaurants, and products have in common? They're just a few examples of foreign investors buying into the U.S. food system, according to USDA researchers.

While headlines have focused on the relatively small foreign share of U.S. agricultural land, foreign business interests have been playing a much larger role in our grocery, food service, and food manufacturing industries.

In the food retailing sector, for example, USDA economists Naaman Seigle and Charles Handy found that foreign companies owned 14 U.S. grocery firms outright and held a partial ownership share in nine others as of April 1980. These firms rang up 1979 combined sales of about $19 billion, almost 11 percent of total U.S. grocery store sales.

Some of these foreign-controlled firms are among the top-ranked U.S. grocery chains in sales. The Great Atlantic and Pacific Tea Company (A & P) had revenues of nearly $6.7 billion in 1979. A West German firm owns a 50-percent share in A & P. Grand Union Company, owned by a British concern, registered almost $3.9 billion in sales.

In the commercial food service industry—which includes restaurants, fast food outlets, and similar establishments—Seigle counted 44 foreign firms with franchisor or other financial interests in 58 U.S. companies as of December 1980. The available data, covering 34 of the 58 U.S. companies, indicated 1980 sales of $2.7 billion, or slightly less than 3 percent of all U.S. food service sales.

Canadian-owned Hardee's and British-owned Howard Johnson rank among the top 25 U.S. commercial food service firms, with combined sales of almost $900 million last year.

How about food manufacturing? Economist John Connor, who looked at this sector, estimated that foreign investment reached about $2.6 billion in 1979. The U.S. firms fully or partly owned by foreign corporations accounted for about $20 billion in sales, or 5 percent of all food and beverage sales by U.S. manufacturers, he says.

Some of the most common brands of foods and beverages are represented: Tetley, Seagram, Libby, Keebler, Good Humor, Peter Paul, Wishbone, Imperial, Lawry's, Hills Bros., and so on. Highly processed products such as cookies, candy, sauces, tea, coffee, and alcoholic beverages dominate the list.

Two-Sided Issue

There are two sides to the foreign ownership question, according to the analysts. U.S. affiliates of foreign firms use American farm products, employ U.S. workers, invest in U.S. materials and technology, and put a large share of their profits back into the U.S. economy. In the food manufacturing industry, for instance, they have reinvested about 80 percent of their earnings in the U.S. in recent years. The remaining 20 percent was transferred abroad as dividends to their overseas owners.

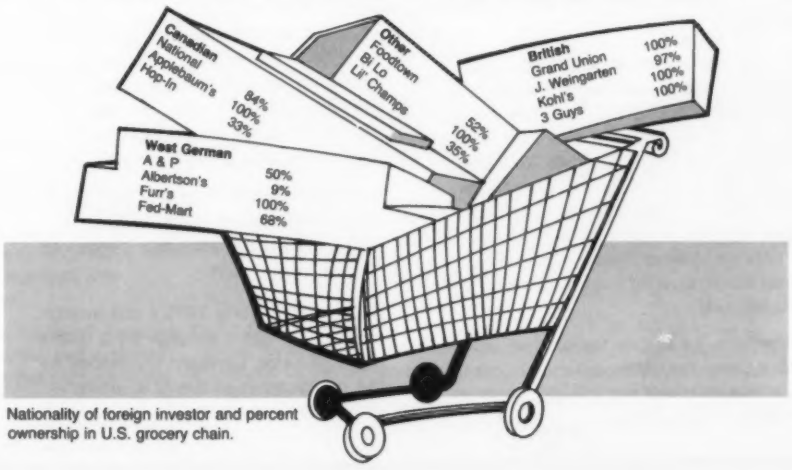
Outside investors can also provide a source of much-needed funds to finance growth, technology to modernize, and marketing skills to increase sales. For these reasons, U.S. firms are often receptive to foreign investment.

Finally, it's important to remember that while total direct foreign investment in the U.S. has doubled in the last 5 years, the stock of U.S. investment in foreign food firms is still over three times as great, Connor says.

U.S. food processors own affiliates and franchises in more than 140 countries. In Canada and Mexico, U.S. food firms account for more than half of all sales of processed foods. In Western European nations, U.S. firms hold 5 to 25 percent of the market.

Likewise, American restaurant and fast food franchisors have established nearly 4,000 outlets abroad.

When Foreign Investors Come Shopping, Some Go Home with the Store



Nationality of foreign investor and percent ownership in U.S. grocery chain.

Dangers, Too?

All this is not meant to suggest that there are no concerns about rising foreign investment, Connor says. The U.S. recently surpassed Canada as the foreign investment capital of the world. We can now claim more foreign investments in our assets than any other single country can claim in theirs.

Although the foreign role here still doesn't come close to matching U.S. business activity abroad, foreign investment is now flowing into the U.S. faster than it's flowing out, according to Connor.

Foreign interests can sometimes control U.S. firms even with a relatively small ownership share, particularly if the rest of the stock is widely dispersed, he says.

Also, after the initial influx of foreign capital investments, profits flowing back overseas tend to come increasingly from local earnings. This can hurt the U.S. balance of payments, and foreign firms can use profits earned here to buy other U.S. companies, expanding their market share.

The growing number of foreign-controlled U.S. firms raises many questions:

- Will we lose our commercial secrets and technological advantages to foreign companies?
- Will they exploit their market power to stifle competition?
- Will they gain significant control over our food industry, or other vital sectors?

In past sessions of Congress, many bills have been introduced calling for increased data collection, disclosure, screening, or other controls on foreign investment. Some have been reintroduced into the current session.

But, while foreign investment is now higher than ever, "interest in new legislation is not as keen as it was 2 or 3 years ago," according to Connor.

Are new regulations needed? Connor sees no easy answers. However, he adds that the issue isn't likely to go away.

"Further large-scale entry by foreign firms into U.S. industry, including the U.S. food sector, seems like a safe prediction," he says.

Chronicle of the Foreign Presence

News stories on foreign investments in U.S. firms, land, and farms can create the impression that we're witnessing something unique in our national experience.

Actually, the foreign presence in American agriculture and industry, its role in the nation's development, and the sentiments it arouses have a long history.

In many of the early colonies, non-British settlers were considered foreigners, and British policies made it difficult for them to own land. Indeed, much of the land in America was owned by Britishers who never lived here but leased their land to actual settlers, according to USDA historian Wayne Rasmussen. This was one cause of the American Revolution.

After the American Revolution, our forebears denied inheritance rights to widows who had not joined their husbands in citizenship.

Restrictions lingered into the 1800's, but they weren't enough to prevent foreign investment from playing a major role in the expansion and development of the American west.

By the late 1800's, however, resentment was building against large foreign landholdings.

Congress itself passed a law in 1887 limiting ownership of land in U.S. Territories to citizens.

After the turn of the century, foreign interest in expanding U.S. investments apparently waned, partly because the U.S. economy was by then generating enough capital to finance its own growth.

With the exception of the war years and some state actions, foreign investment wasn't generally perceived as a serious threat.

Not until the early 1970's did foreign investment again emerge as a major national issue. Concern was fueled by the devaluation of the U.S. dollar—which made our land and resources less expensive for many foreign investors—and also by the accumulation of wealth and U.S. dollars in the oil exporting nations.

In the past, foreign investors contributed to the building of America, taking risks and providing needed capital and expertise that wasn't always available from domestic sources. According to many economists, the difficult task today is how to separate foreign investment that still serves a productive role from investment that may have adverse consequences.

Policymakers, especially at the national level, also recognize the possibility that discrimination against foreign investment might invite retaliation abroad.

Of course, many other nations have their own restrictions on outside investment. Nevertheless, based on 1979 figures, U.S. direct investment abroad amounted to about $193 billion, dwarfing the estimated $52 billion in foreign investment in the U.S.

Agricultural Roundup

Boxes, Bottles, Bags, and Cans

What lines the shelves of every supermarket in America? Foods and beverages to be sure, but also boxes, bottles, packages, and cans.

Foodstores are the major retail outlets for the nation's farm products, but they're also the bread and butter of the container industry.

According to USDA economists Tony Gallo and John Connor, foods and beverages account for about two-thirds of all the packaging and containers used in the U.S., including 62 percent of the paper, 71 percent of the metal, and 96 percent of the glass.

About 400 pounds of material were used to package the edible products purchased by the typical American last year. All this protection, convenience, and color cost consumers $34 billion, or 9 percent of their total food expenditures.

Shoppers often pay as much for the packaging as they do for the food or beverage it contains, Gallo says. That's the case with canned fruits and vegetables, for example.

These conclusions are based on the ratio of what food processors pay for packaging materials to what they pay for the food ingredients. This ratio is reflected in the retail price.

With breakfast cereals, soups, baby foods, and frozen dinners, the cost of the container is 1½ times the value of the agricultural ingredient purchased. Consumers pay twice as much for the packaging of potato chips and soft drinks as they do for the food and beverage inside.

Have you heard of people who buy beer only to collect the cans? They seem to know where the value is, because the cans and bottles that contain beer cost five times as much as the ingredients. Of course, like many other products, the value of the food ingredients—malted barley or other grains, hops, and sugar in the case of beer—is relatively small.

At the other end of the spectrum are products with minimal processing after they leave the farm, so that much of the original value of the food is retained. Take milk, for instance. Consumers are paying more than five times as much for the cow's milk as they are for the container in which it's sold.

Likewise, packaging accounts for only 3 to 10 percent of the value of the food ingredient with red meats, butter, sugar, cheese, and poultry.

On the average, packaging and container costs for foods and beverages amount to almost one-third of the value of the ingredients they protect. Of course, this figure doesn't mean that 33 cents of the food dollar goes for packaging. Actually, about 9 cents goes for packaging, roughly three times that much for the food ingredient, and the rest for labor, transportation, advertising, overhead, and food industry profits.

If packaging still sounds too expensive, consider its multiple roles. It maintains freshness and avoids spoilage or contamination by shielding processed foods from light, heat, oxygen, and infestation.

It also permits food to be handled, transported, and stored efficiently, resulting in lower labor costs. Finally, it fills an advertising role for manufacturers and provides information to consumers on ingredients, nutrition, and preparation.

If anything, the trend is toward more elaborate and expensive packaging. Not only is the cost of packaging materials on the rise, but consumers are demanding increased storability and labor-saving convenience, according to Gallo and Connor. Smaller families and more households with two working adults appear to be boosting the demand for smaller package sizes and more single-serving containers.

Less Fuel in Energy Outlook

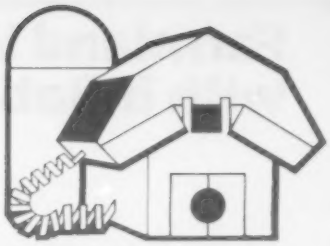
The demand for energy by U.S. farmers will probably decrease slightly over the rest of the century, and current trends pointing to a different mix of energy uses will continue.

For example, farm use of fuel to run machinery and equipment may decline, but this will be partly offset by continued—although slower—growth in applications of herbicides, which require energy in their production.

That's especially true as more farmers turn to low-tillage or no-till farming. The direct consumption of liquid fuel used in tilling will be replaced with the indirect use of natural gas used in the production of herbicides, applied more heavily in this type of farming.

Energy prices are expected to continue rising in the next 20 years. Farmers have adjusted to price increases in the past, as these costs are a small part of their overall bill, and they depend on energy inputs to keep up yields. Farmers will also incorporate a range of conservation practices to better cope with the increases.

Another change in the farm energy picture is the continuing substitution of diesel fuels for gasoline. Since 1974, diesel use has increased from 41 percent of all liquid fuel used on farms to nearly half. By the year 2000, diesel fuel should be the dominant form of direct farm energy.



Dialing for Data

A quick source of agricultural information is at your fingertips. Call the Farmers'—900—Newsline for the latest crop, livestock, export, and economic news from USDA.

A 60-second summary is available to you 7 days a week, 24 hours a day. Your cost is 50 cents per call.

The news items and special features shown below are added at 4 p.m., Washington, D.C. time on the scheduled dates. Dial 900-976-0404 (in some areas, dial 1-900).

Here's the October schedule:

October 1	Cattle Update
2,3,4	Farm News Special
5	Crop Update
6	Crops and Weather
7	Farm News Special
8	Livestock Situation
9,10,11,12	U.S. Crop Prospects
13	World Crop Prospects
14	Milk Production
15	Crops and Weather
16,17,18	Farm News Special
19	Farm News Special
20	Cattle on Feed
21	Soybean Situation
22	Grain Stock Estimates
23,24,25	World Agriculture Situation
26	World Grain Prospects
27	U.S. Agricultural Outlook
28	Feed Situation
29	Red Meat Production
30,31	Farmers' Prices

Features are subject to change.

Farmland Values in a Race with Inflation

Inflation and farmland values are racing neck and neck again this year, after the Consumer Price Index (CPI) nosed out average farmland value gains last year—the first time in a decade.

"During the 12 months ending February 1, 1982, land values are forecast to increase 7 to 11 percent," says USDA economist Ron Jeremias. "Over the same period the inflation rate should fall within the same range, so little change in real farmland values is expected."

For farmland owners, this outlook is in marked contrast to the 1970's bonanza which saw average U.S. farmland prices soar 266 percent from 1971 to 1981. Adjusted for inflation, the gain was still about 66 percent.

But last year, farmland values rose only 9 percent during the February 1980 to February 1981 survey period, while the CPI—a measure of inflation—rose 11 percent. This means that the real value of farmland declined.

Has the farmland value "balloon" finally burst—or at least sprung a leak? While recent developments have given analysts something to chew on, Jeremias and other USDA economists see 1980 and 1981 as off years reflecting current economic conditions which will brighten.

Potential buyers stayed out of the farm real estate market in droves.

"Higher interest rates, tight credit, and sharply lower net farm income were the major factors contributing to the slower growth in farmland values," he says.

Net farm income fell about 40 percent last year, and USDA now forecasts only modest improvement this year—farm income gains may barely keep pace with the expected 8-10 percent inflation.

The lower average farm earning rate made current owner-operators—who, in recent years, have been buying more than half of all farmland sold—less able to expand. And other investors are less attracted to farm investments.

Tight and expensive credit was a major obstacle to buyers last year, as average interest rates for Federal land bank loans increased from 9.2 percent in 1979 to 10.4 percent in 1980, a rise of 13 percent. As many potential buyers were unable to raise money—or unwilling to pay high interest—fewer people were bidding up values.

Late last year, USDA analysts saw signs that improved economic conditions would restore the farmland value trend to the high-flying gains that farmers have come to expect.

With net farm income then expected to hit $27 billion to $32 billion for 1981, with interest rates forecast to fall, and with expected improvements in loan availability, economists projected an 11 to 16 percent increase in farmland values—safely above the tide of inflation.

Rising Interest Rates

Not only has the outlook for net farm income soured, but interest rates actually rose during the first half of 1981. From December 1980 to July 1981, Federal Land Bank rates increased from 10.5 percent to 11.4 percent, and FmHA farm ownership loan rates jumped from 11 to 13.25 percent.

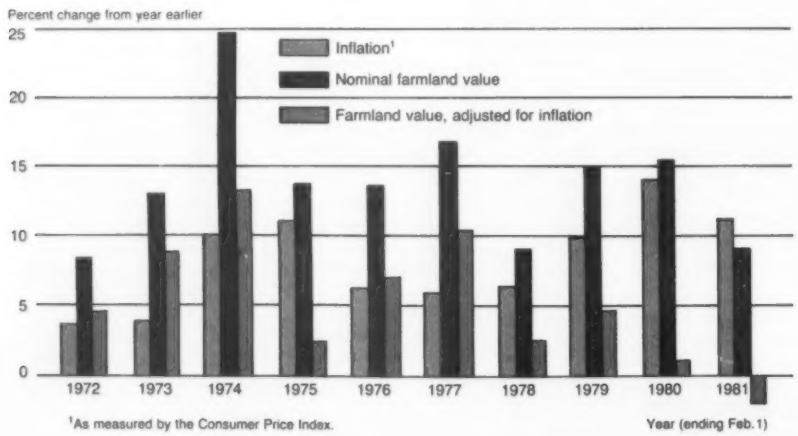
Faced with such obstacles, potential buyers stayed out of the market in droves. The 1980 rate of farm title transfers fell 9 percent to 34.6 transfers per 1,000 farms, and total acreage sold declined 14 percent.

Of course, many buyers obtain better rates by working out arrangements directly with the seller—usually in the form of land contracts.

Last year, sellers provided about 40 percent of the credit used to buy farmland, with land contract interest rates averaging about 9.7 percent and seller mortgages averaging 10.1 percent—well below institutional lending rates. About 70 percent of seller financing came through installment land purchase contracts.

Besides attracting buyers, seller financing benefits sellers by spreading profits over several tax years to reduce capital

Farmland Values Usually Outgain Inflation



gains taxes. Jeremias expects seller financing to increase again this year because interest rates remain high.

While short-term developments certainly affect the many farmers who will buy or sell land this year—or borrow money against their farm's languishing value—longer term trends may be more significant.

Take the makeup of new buyers, for example. Despite fears of increasing sales to absentee owners and speculators, owner-operators continue to purchase more than half the farmland sold—about the same as in the past few years—while tenants continue to buy 10 percent. Absentee owners bought 17 percent from March 1980 to March 1981, compared with 13 percent during the same period a year earlier.

"About two-thirds of all farmland purchases are made for the purpose of farm enlargement," Jeremias says. "In the 48 contiguous states, the average size of farms has increased from 419 acres in 1975 to 430 acres today."

High Price of Getting Started

With complete farms—land and buildings—now averaging $342,000, most farms won't earn enough to meet the high mortgage payments, aggravated by today's soaring interest rates, and living expenses of a new owner. Last year, only 38 percent of the tracts sold were complete farms.

"Today, farms typically contain more than one tract of land," Jeremias says. "When complete farms are sold, separate tracts are often sold to separate buyers. Of the complete farms sold to a single buyer last year, less than half continued to be operated as complete farms."

Even with the current cooling off of farmland values, the U.S. average value per acre on February 1 was $796. The total value of all U.S. farm real estate reached $826 billion last year, with farm buildings accounting for 16 percent or $134 billion of that.

While inflation has been a dark cloud over much of America's economy, it does offer a silver lining to some farmers. Thanks partly to inflation, the farm foreclosure rate has probably been held down.

"As prices rise, farm incomes rise, and it becomes easier for farmers to meet the constant payments on their mortgages," Jeremias says. "Beginning farmers have difficulty making the payments on today's high-interest loans, but after only a few years of rapid inflation, farmers earn high nominal incomes that make the mortgage payments look small in comparison."

Last year, the foreclosure rate rose from 1.1 to 1.3 per 1,000 farms. Still, by the historical yardstick, the 1980 foreclosure rate was very mild, especially compared with the peak rate of 38.8 per 1,000 in 1933 at the height of the Great Depression. Only eight times in the past half century has the foreclosure rate dipped below 1.3.

Although farm real estate will eventually pick up, for the next several months at least the outlook remains dreary.

A USDA survey of farm real estate brokers and lenders last March found that only half expected farmland values to increase by 5 percent or more this year.

Hidden Behind the Averages

The problem with national average statistics is that they often hide tremendous variations from state to state and from farm to farm.

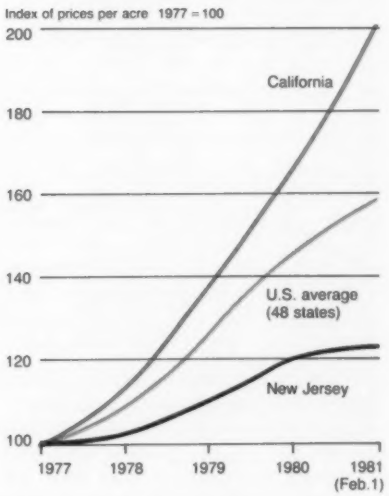
Take the overall 9-percent increase in U.S. farmland values last year. While it's an important measure for real estate specialists and farm policymakers, very few farmers saw their land appreciate by exactly 9 percent.

For instance, farmers in Mississippi watched their average land values jump 27 percent, while the average only went up 2 percent in New Jersey.

It also depends on the kind of land. Grazing land in the Plains and western states generally increased faster in value than irrigated land because livestock prospects are improving.

The value of land also varies enormously with location. In Wyoming, farmland was valued last year at an average of $164 an acre, compared with $3,000 in New Jersey. The national average is $796.

California Leads in Farmland Value Gains Since 1977, New Jersey Last



June's Workhorse Survey Yields Harvest of Numbers

Armed with county maps and aerial photos, Carolyn Daly put in 2 weeks this summer visiting farmers in northern Virginia to collect data for USDA's annual June Enumerative Survey.

While Daly talked with Virginia dairy, beef, and corn producers, some 1,500 other surveyors, called enumerators, were interviewing a representative sample of U.S. producers across the country.

One of USDA's most important surveys, the June Enumerative Survey is an essential source of information on crop acreages and grain stocks. It is also USDA's primary way of counting hogs, cattle, and other livestock.

"It's our workhorse survey," says Duane Jewell of the Statistical Reporting Service. "It provides us with our first probability survey indications after our initial survey of producers' planting intentions."

By "probability survey," Jewell means that the Crop Reporting Board can calculate the likelihood, or probability, of error in the results because enumerators talk with a scientifically selected sample of producers—around 60,000 of them. That's a lot less expensive than contacting every producer in the country and a lot more reliable than an unrepresentative sample, he says.

Enumerators must account for all operations within randomly selected land segments assigned to them. Information provided by farmers and ranchers is entirely voluntary and confidential, and is used only in combination with other data to compile state and national figures, Jewell says.

The segments average around a square mile in size, depending on where they're located. The typical Corn Belt state has around 325 segments, while Texas and California each contain over 800. The total 16,000 area segments account for less than 1 percent of the total U.S. land area, but they can accurately indicate agricultural activity nationwide.

It's one of USDA's most important surveys, providing information on crop acreages, grain stocks, and livestock numbers.

Several advantages stem from this kind of sampling. Most important is that all farmers have an equal chance of being included in the survey. Also, the sample isn't made obsolete when a property line or operator changes, and the method helps prevent unintentional bias and double-counting of producers.

Base for Other Surveys

Jewell emphasizes the importance of the June Enumerative Survey to producers. "Because so many other USDA reports—Hogs and Pigs, Grain Stocks, and Acreage, among others—depend on data from this survey, the accuracy of its findings is vital to the department's statistics program," he says.

Thousands of the fields within the survey segments are also measured in "objective yield" surveys during the growing season to determine yields and to forecast production of corn, wheat, soybeans, cotton, and potatoes.

A second enumerative survey is conducted in December—covering a subsample of the producers contacted in June—to make estimates of livestock and poultry inventories and winter wheat and rye acreage seeded for next year's harvest.

For the large number of operations represented by the relatively small sample, the survey is very accurate. It has a sampling error of 1 to 2 percent, based on past performance over the 18 years the surveys have been taken, Jewell says. That means that the chances are two out of three that the estimates are within 1 to 2 percent of what would be the results of a survey that included every producer in the country.

USDA also uses the survey to perform other chores. For instance, 14 different questionnaires were used this year to cover regional variations and to conduct special studies, including surveys on forestland and farm-raised fish. Other programs also benefited from the survey, such as USDA's Agricultural Cooperative Service, which obtained data on farmer participation in cooperatives.

Improving Satellite Data

USDA's remote sensing operations are improved by observations made on the survey segments, which provide on-the-ground data to improve interpretation of satellite data. Ground data are also used to train computers to identify different crops based on the numerical data transmitted by the satellite and to expand crop acreage estimates made from satellite data.

USDA relies on sophisticated data processing equipment to tailor the raw information to these specific uses, but computers are useless without accurate data. A successful survey ultimately depends on the "front line"—the enumerators—and on producer cooperation.

Precise acreage and livestock counts by the enumerators are so important because even small errors can seriously distort the results when survey findings are statistically expanded to produce national estimates. For example, 10 acres incorrectly recorded by an enumerator could show up as 2,000 in the numbers used to compile the final report.

Much depends on the enumerators' ability to build trust and establish a good working relationship with producers, since the producers within a segment will be contacted for 5 years running

before the land area segment is rotated off the list.

All the preparation and training that go into each survey have paid off. Bob Addison, who heads the cotton and special crops section, reports, "June Enumerative Survey indications of soybeans planted are extremely close to final Crop Reporting Board estimates, and survey estimates of corn and cotton planted are getting closer all the time."

Despite its record for accurate surveys, the Statistical Reporting Service is still looking for better, more cost-effective ways to meet the increasing need for timely information with minimum bother to farmers.

"A Little Like Detective Work"

While there is no "typical" enumerator working on the June Enumerative Survey, Carolyn Daly is representative of those who have face-to-face dealings with producers. Many are farmer's wives or retired people who live in the area they are surveying.

Daly attends a short course for each survey, taught by the state supervisors, who themselves must attend a refresher course before each survey. At the schools, all enumerators, whether on their first survey or their 15th, are brought up to date on survey objectives and briefed on special survey procedures.

"For 2 weeks every summer, the survey comes before everything else," Daly says. "My day often lasts from early in the morning to late evening." Before she even begins to knock on doors, Daly prescreens each land segment to check off any areas that aren't used in agriculture.

Participating in her seventh survey this year, Daly says, "After a while, you learn to anticipate where producers will be at a given hour, whether at home, at an off-farm job, or in the field."

Experience has also taught her how to look at the aerial photo before she enters the segment and quickly match up homes with agricultural acreage in the area, saving time and legwork.

Absentee ownership, partnerships, and deaths can make the process tricky and sometimes tedious. "It's a little like detective work," she says. "Getting the correct data means knocking on lots of doors, asking questions, waiting, and following out leads to track down the person who can furnish the information."

Daly says producers enjoy getting a different perspective on their operations with the aerial photo, and it is a relatively easy matter to identify the different tracts within an operation and record how they are being used.

When all the assigned segments have been covered in the 2-week period, the collected data is edited, coded, and entered in the state's computer system, where it is stored until the Statistical Reporting Service calls it up for national estimates.

Survey enumerator Carolyn Daly provides Spencer Neale with an aerial perspective on his northern Virginia livestock operation.

Sheep Producers Fight Fangs with Fangs

Guard dogs, the enforcers of the canine world, can also be a lamb's best friend. They're watchful and extremely protective of their charges—both sheep and cattle.

Although herding dogs have been popular for years, livestock guard dogs are just beginning to catch on in the U.S. They're part of a new program that may help solve an old problem, livestock losses from predator attacks.

For the past 3 years, researchers at USDA's Sheep Experiment Station in Dubois, Idaho, have been testing dogs' effectiveness in guarding sheep. According to the station's wildlife biologist, Jeff Green, most of their canine guardians have worked out very well.

Green and his colleagues have already studied about 30 dogs, mostly of the Komondor and Great Pyrenees breeds, the only traditional livestock guarding dogs now commonly used in this country. "The guard dog studies have been promising, but more research is definitely needed," Green says.

The researchers hope to learn which canine breeds will best protect livestock and at what age the dogs become effective. Because of the diverse livestock operations in the U.S. (both sheep and cattle producers are now using guard dogs), researchers also need to determine which breeds suit what situation and how many dogs are needed in different operations.

Some breeds do better under certain conditions than others. According to Green, the large, shaggy-haired Komondor does well in fenced pastures, whereas the Great Pyrenees favor working on open rangeland.

"However, dogs of either breed won't reach maturity until 2 years of age or more," Green says. "And even a puppy of these two recognized guarding breeds doesn't come with a guarantee that 2 years down the road it will be an effective guardian."

"Because of this variability, we see the dogs as one of many tools that can reduce predator attacks. A variety of methods used together will probably be necessary to sufficiently cut livestock losses," he says.

Controlling Losses

Serious losses have spurred producers to use new technologies and homegrown remedies to control predators. Trapping and electric fencing are common. Some ingenious ranchers have even put strobe lights and tape recordings of sirens among their sheep.

But while producers wait for foolproof control methods, livestock losses are adding up. One estimate, by the American Sheep Producers Council, indicates that more than 1 million sheep and many millions of dollars are lost each year to predators. According to the Council, losses can range anywhere from 2 to 20 percent of a producer's flock every year.

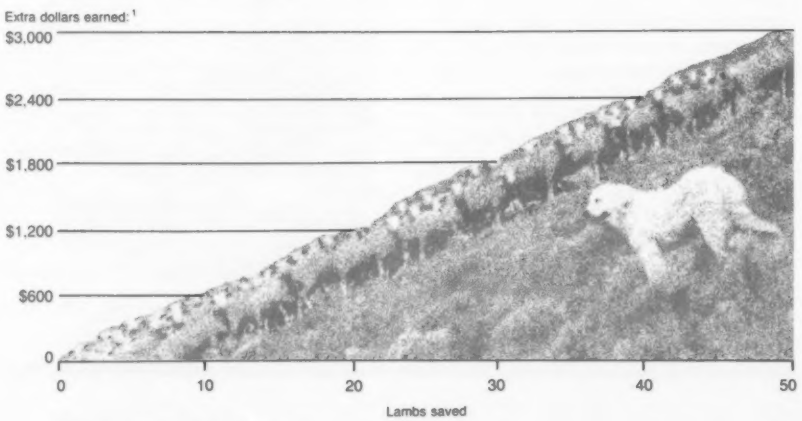
According to Kirby Cavett of the Statistical Reporting Service's Wyoming office, a survey showed that producers in his state lost 195,000 sheep and lamb last year. Forty-seven percent were caused by predators.

Federal research on predator control has been stepped up in recent years, particularly since compound 1080, an effective but controversial poison, was banned in 1972.

However, many producers contend that heavy losses to predators continue, and that the poison is again needed. The National Woolgrowers Association and the National Cattlemen's Association have asked the Environmental Protection Agency to reconsider the ban on compound 1080.

Specifically, the producer associations petitioned the EPA to permit the use of a

Earnings Mount Up with Every Lamb Saved



[1]Assumes market prices of $85 per lamb.

new device—a collar equipped with pouches containing compound 1080—worn by lambs and calves. The collar would have no effect on the animal wearing it, but an attacker going for the sheep's throat would get a mouthful of poison. Tests on the collars are still underway at the Denver Wildlife Research Service (part of the U.S. Fish and Wildlife Service).

"Predation is considered a serious economic issue for sheep and cattle ranchers," EPA administrator Anne M. Gorsuch says. "They have informed the agency that their losses for sheep, lambs, and calves killed by coyotes and other predators in 1979 alone totaled well in excess of $100 million."

Gorsuch has asked for preliminary hearings that will probably examine a variety of uses of compound 1080. The outcome of these hearings (held in late July) may result in reopening the compound 1080 debate.

Meanwhile, however, some environmentalists say that resuming use of chemicals to combat coyotes could threaten other animals and some endangered species as well.

Many environmentalists claim that no matter how effective the poison, killing of nonpredatory animals is too high a price to pay. Guard dogs may offer one alternative. But how much do they cost?

Guard Dognomics

Buying a guard dog is not cheap. Although prices vary among breeds, Komondor puppies may cost from $300 to $750 and up depending on age, bloodline, and breeding. Older, proven dogs—particularly dogs that have had experience with livestock—may cost more. Green figures an average price is around $500.

Komondor dogs usually live from 10 to 14 years and can effectively guard livestock for 6 to 10 years.

There are at least two variable costs in raising a guard dog, according to Green. The first is the labor required to train the dog.

The second variable cost is the number of sheep that may be injured or killed while the guard dog learns its trade. It's not uncommon for pups to become overly playful with sheep, and some serious injuries can result.

Despite the costs—and the risks—a dog may appear to be a pretty sound investment, Green says. For example, take a hypothetical range sheep operation of 1,000 ewes with an average lamb crop of 1,250. If the predation rate was around 4 percent, 50 lambs would be lost to predators.

However, if the producer had a guard dog that was even 50-percent effective (saving 25 lambs), the producer could earn an additional $1,500 if 100-pound market lambs were selling for $60 per cwt. If the dog was 80-percent effective, saving 40 lambs, the producer would be $2,400 richer. As Green points out, the higher the predation rate, the greater the savings.

Old World Dogs on American Ranches

Three hundred livestock guard dogs are now working on ranches and farms in 28 states as a result of the research done by Ray and Lorna Coppinger, biology professors at Hampshire College in Amherst, Mass. The Coppingers founded and still direct the college's Livestock Dog Project at the New England Farm Center.

The center leases a guard dog to a participating rancher for only $1 for the first year, if the rancher agrees to record the dog's progress and behavior. If the rancher still wants the dog when the year is up, the center charges an annual fee of $50, roughly the price of one lamb.

Dogs working for the center include three ancient guarding breeds—the Turkish Anatolian Shepherd, the Yugoslavian shepherd, and the Maremma, an Italian breed. The Coppingers and members of their staff found these breeds by traveling to destinations as diverse as Portugal and Turkey, where guarding breeds have worked for centuries.

The problem with European breeds is training them to guard livestock in the U.S. "We are asking the dogs to perform tasks never expected of them before and to work against some predators that have no equivalent in Europe," says Coppinger. "To adapt Old World guarding dogs to American range sheep is no simple process."

Guard dogs are much different from herd dogs, which are small, quick, and tireless, scurrying around keeping strays in line. A herd dog can even run sheep to exhaustion if it is not accompanied by a shepherd.

On the other hand, guard dogs prefer—even demand—solitude. They live with the flock, mingling unobtrusively, but they snap to attention anytime something unusual happens. Strong and large (usually 80 to 110 pounds), they are able to intimidate a 30-pound coyote with a mere growl.

But not all dogs are cut out to be guardians. In a few cases, dogs have become so attached to certain members of the flock that they refused to guard the other sheep after their favorites left.

Producers who are interested in guard dogs may write to The New England Farm Center, Amherst, Mass. 01002.

Developing Nations: Where the Export Action Is

The developing nations of Latin America, Asia, and Africa have become the growth markets for U.S. agricultural exports.

The forecast $20.5 billion in sales to these nations in the 1981 trade year will nearly match the $21.4-billion total to the industrialized, free market countries, such as Japan, the Western European nations, and Canada.

U.S. export sales to the latter group are expected to grow only about 5 percent this year, while sales to developing nations may increase 26 percent. Exports to the USSR and Eastern Europe will reach an estimated $4.1 billion, up just 4 percent from 1980.

According to USDA economist Steve Milmoe, these figures are only the most recent evidence of the important shifts that are occurring in U.S. markets as developing nations register the fastest growth in incomes, populations, and demand for a higher standard of living.

Just 4 years ago, in the 1977 trade year, 59 percent of U.S. agricultural export earnings came from our industrialized customers. This year, those markets may bring in only about 47 percent of sales, Milmoe says. The market share held by the USSR and Eastern Europe is estimated at 9 percent, the same as in 1977.

Meanwhile, the developing countries have captured a larger share of U.S. sales. Latin America will account for about 16 percent of our farm export receipts, up from 9 percent in 1977. Asia, excluding Japan and the Mideast, will increase its share to an estimated 18 percent, up from 13 percent.

Africa and the Mideast started from a relatively small base and are showing strong growth just by maintaining their combined 10-percent share.

Most of Our Top Developing-Country Markets[1] Show Rapid Growth

	Fiscal 1977	Fiscal 1980		Fiscal 1977	Fiscal 1980
	$ million			*$ million*	
Latin America			Asia (cont.)		
Mexico	608	2,005	Thailand	123	171
Brazil	87	698	Singapore	65	126
Venezuela	306	618			
Colombia	125	288	South Asia		
Chile	95	261	India	415	367
Peru	126	256	Bangladesh	108	228
Dominican Rep.	101	214	Pakistan	116	161
Ecuador	72	122			
			Mideast and		
Southeast and			Africa		
East Asia			Egypt	565	750
China	1	1,957	Saudi Arabia	146	357
Korea	934	1,618	Nigeria	227	336
Taiwan	612	1,109	Iraq	62	268
Indonesia	246	451	Algeria	107	221
Hong Kong	185	443	Morocco	72	141
Philippines	180	317	Tunisia	34	129

[1] Includes developing markets in which U.S. agricultural sales were $100 million or more in fiscal 1980. Includes both commercial and concessional (PL-480) food sales.

Fastest Growing Markets

Although trade can fluctuate up and down from year to year, some of the fastest growing markets among developing nations can be identified by comparing last year's U.S. export sales figures with those of 1977.

In Latin America, U.S. sales to Mexico topped $2 billion in 1980, up 230 percent since 1977. Sales to Brazil reached $698 million, up 702 percent, and exports to Venezuela totaled $618 million, up 102 percent.

China, Korea, and Taiwan are the biggest U.S. buyers of the developing countries in Southeast and East Asia, Milmoe says. Exports to China soared from a mere $1 million in 1977 to almost $2 billion last year.

Sales also rose 73 percent to South Korea and 81 percent to Taiwan—two other billion-plus markets (Korea is expected to buy about $2 billion in U.S. farm products this year).

In South Asia, India remains our top customer, although 1980 U.S. exports were lower than in 1977. However, sales were up 111 percent to Bangladesh and 39 percent to Pakistan.

Some of our biggest growth markets with the greatest potential for the future are in the Mideast and Africa. Oil and mineral wealth are two important reasons, Milmoe notes.

Egypt, our best customer in the region, registered a 33-percent increase between 1977 and 1980. Sales to Saudi Arabia reached $357 million, up 145 percent, and exports to Iraq hit $268 million, up an impressive 332 percent.

Iran, which was a $442-million market in 1977, took only about $52 million in U.S. farm products last year—but trade seems to be picking up again.

Top Selling Products

Wheat, feed grain, and oilseed products are the top dollar earners for the U.S. in both developing and industrialized foreign markets. However, the role of

developing countries in the U.S. export picture varies widely from one product to another.

For example, more than 70 percent of our 1980 export earnings from feed grain sales came from industrialized markets, which are beefing up their livestock herds. With oilseeds, the figure is nearly 80 percent, Milmoe says.

In contrast, developing nations accounted for 55 percent of U.S. wheat sales, and these nations play an even more important role with several other U.S. farm products.

More than 80 percent of U.S. receipts from dairy product exports can be traced to developing countries, which often lack adequate sources of milk and other protein foods. Virtually all U.S. exports of evaporated, condensed, and nonfat dry milk go to developing nations.

Pulses (dried beans, peas, and lentils) are another top American sales item with developing countries. Seven of every ten export dollars earned from pulses in 1980 can be credited to these markets. For dried beans alone, including pinto, kidney, and navy beans, developing countries accounted for $143 million of the $208 million in U.S. sales abroad.

U.S. poultry exports would hardly be worth mention if it weren't for such developing countries as Saudi Arabia, Nigeria, Iraq, and Venezuela.

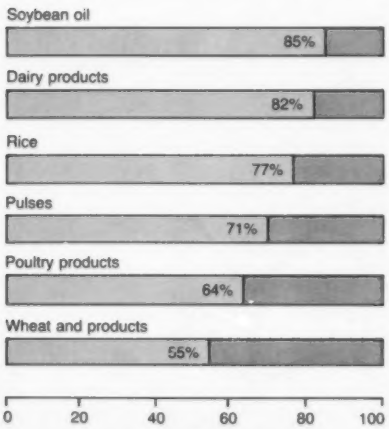
Altogether, developing markets accounted for 64 percent of the value of U.S poultry product exports in 1980. In chickens alone, these nations bought $218 million out of total U.S. sales of $288 million.

How rapidly will our developing-country markets grow in the future? That depends, Milmoe says.

Many developing nations are having difficulty earning the foreign exchange they need to buy U.S. products because their own exports are in low demand. Of course, that's not so true of the oil-exporting countries.

Many are also hampered by rampant inflation, rising debts to outside lenders, and the high interest costs of borrowed money. Political uncertainties also play a role, as in the case of Iran. Nevertheless, analysts agree that developing markets, with their rapidly growing demand, hold the greatest potential for U.S. export expansion in the years ahead.

Developing Countries Are Our Major Export Markets for Many Products



Percent of total U.S. export sales earned from developing country markets, fiscal 1980.

Targets for Expansion

USDA is stepping up its efforts to counter rising trade competition and to ensure that expanding export opportunities in developing countries do not slip by.

Earlier this year, Agriculture Secretary John Block announced an intensified campaign to promote American agricultural exports to markets with strong growth potential. Wheat sales are a current priority because we're sitting on a record crop.

Six developing countries were chosen as the first targets: Algeria, Brazil, Chile, China, Morocco, and Venezuela. These six were selected partly because they represent expanding markets for wheat. Other nations will be added to the list later.

Joint government-industry trade teams, headed by USDA, recently visited all six countries. Team members met with foreign government officials, grain processors, and grain traders to discuss export servicing arrangements, U.S. export credit programs, purchase intentions, and technical assistance.

Technical assistance can be an important preliminary to expanded trade, according to Bob Svec, a grain marketing official with USDA's Foreign Agricultural Service.

China is a good example. "A major barrier to greater trade with China is limited port capacity and grain handling and transportation facilities," Svec says. We may be able to help with expert consultants, thus paving the way for increased trade, he adds.

"It's also important to let good customers know that you're interested in them and their problems."

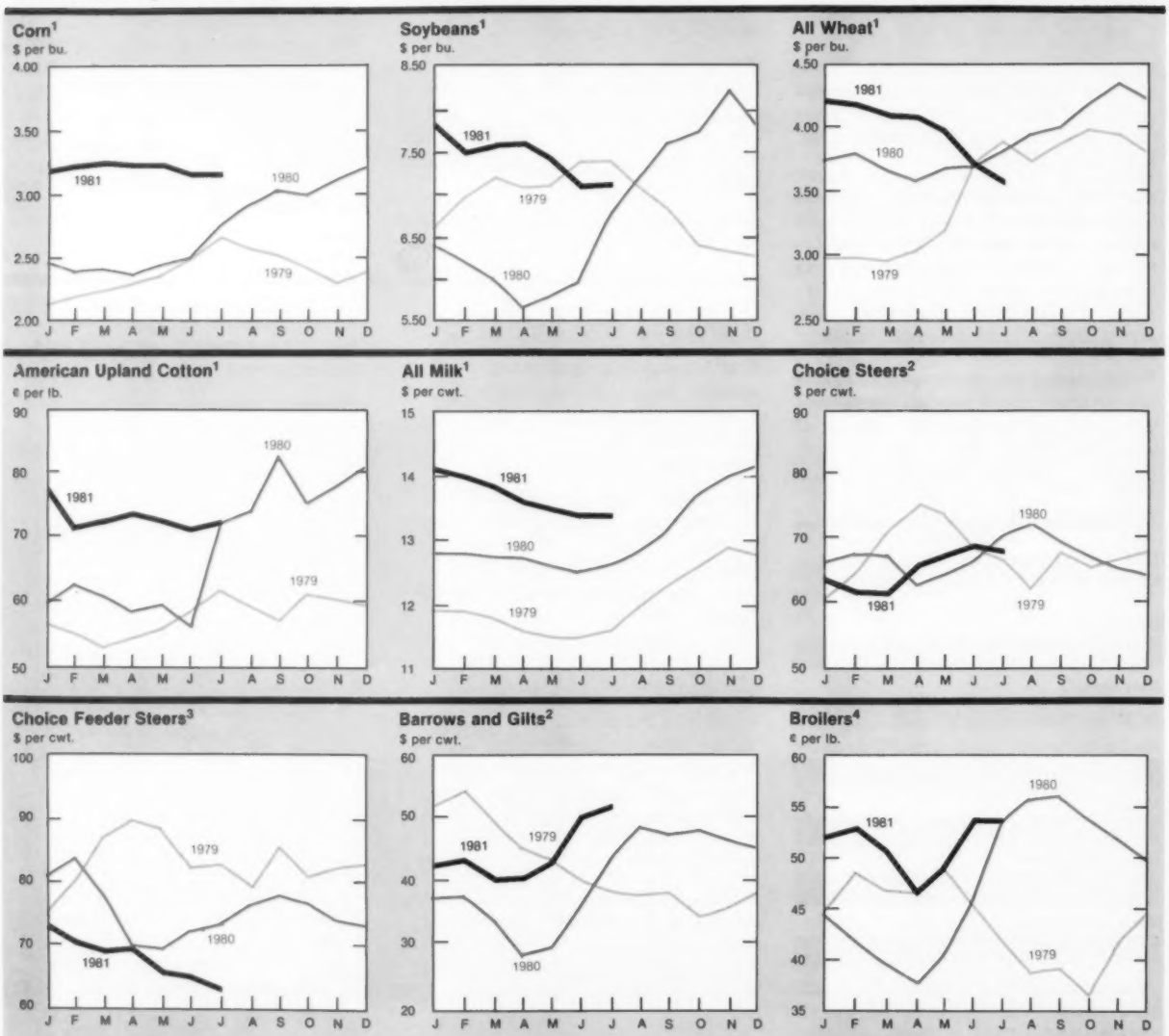
Officials of China's Ministry of Cereals have been invited to the U.S. for further high-level talks.

Stepped-up contacts with growing markets involve not only U.S. government officials but also producer associations and representatives of grain trading companies working with USDA through cooperative agreements.

Farmline Trends

Monthly Price Monitor

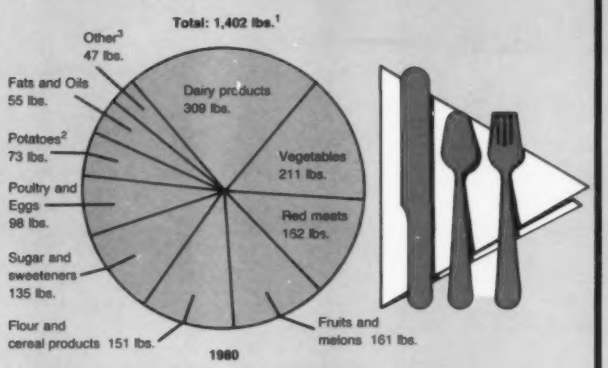
The slide in farm prices resumed in mid-July after being checked in June. Wheat prices, which have declined steadily since November 1980, dropped another 15 cents, reaching their lowest point since May 1979. But prices for corn remained strong—well above year-ago levels. Soybean prices held near June's level, and cotton prices rose slightly to about even with July 1980. Omaha Choice steers dropped to almost $3 below last year's price, while Kansas City Choice feeder steer prices fell $2.39 to remain at their lowest level in 3 years. New York broilers were right at year-ago prices.



[1]U.S. average prices received by farmers. Prices for the latest month are mid-month averages. [2]Omaha. [3]600-700 lbs., Kansas City. [4]Wholesale, New York.

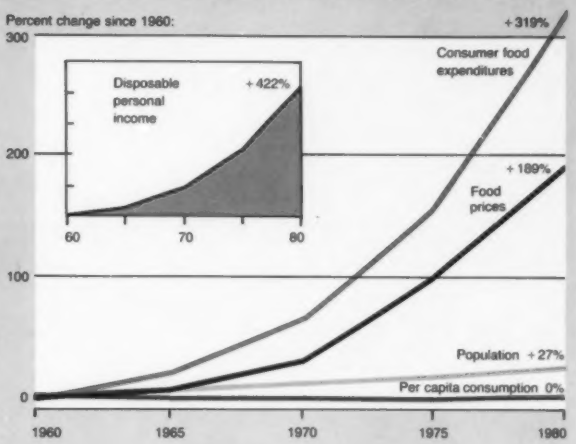
Your Number One Customer

Here's a Year's Worth of Meals in Pounds of Food Consumed by the Average American



[1] Includes home grown vegetables and fruits and game meat.
[2] Unofficial estimate reflecting smaller crop. Includes sweet potatoes.
[3] Includes lentils, nuts, fish, coffee, etc.

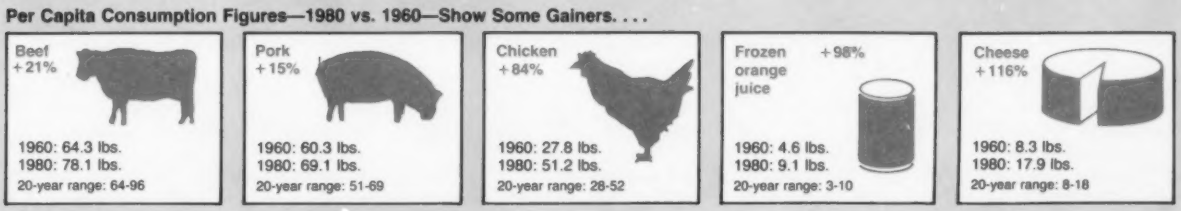
Consumer Food Expenditures Are Pushed Up by Rising Food Prices and Population Growth, but Incomes Climb Even Faster



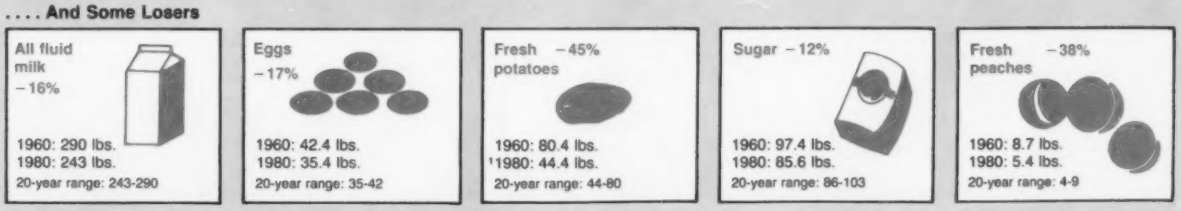
The average American ate 1,402 lbs. of food last year, up 3 lbs. from 1960. Dairy products accounted for 1 of every 5 lbs. consumed. In the last 20 years, shifts in consumption patterns affected many products. Sugar, for example, suffered from diet fads, rising costs, and the success of substitute sweeteners. However, 1980 vs. 1960 comparisons (below) disguise some recent trends: Beef consumption hit a record 95.7 lbs. per capita in 1976 and has since been dropping each year.

Propelled by rising food prices and population growth, consumer food expenditures climbed 319% from 1960-1980. But food hasn't put more of a burden on consumer budgets. In 1960, about 20¢ of each dollar of disposable income went for food. Last year, it was only about 16¢.

Per Capita Consumption Figures—1980 vs. 1960—Show Some Gainers. . . .



. . . . And Some Losers



[1] Unofficial estimate reflecting the smaller crop.

1980 preliminary.
Data provided by Richard Prescott, Dave Harvey, Paul Wescott, Jules Powell.

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